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C O N F I D E N T I A L SECTION 01 OF 03 BELGRADE 000111

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STATE FOR U/S BURNS, EUR A/S FRIED AND DAS DICARLO; EUR/SCE  
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E.O. 12958: DECL: 01/24/2017

TAGS: [PBTS](#) [PGOV](#) [PHUM](#) [PREL](#) [SR](#)

SUBJECT: K+1: ROLLING OUT THE SERBIAN BENEFITS PACKAGE

REF: A. 1. 2006 BELGRADE 1719

[1](#)B. 2. 2006 BELGRADE 1996

[1](#)C. 3. 2006 BELGRADE 1824

[1](#)D. 4. 2006 BELGRADE 1891

Classified By: Ambassador Michael C. Polt for reasons 1.4 (b) and (d).

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SUMMARY  
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[1](#)1. (C) As we approach the endgame in the Kosovo status process, this Mission is preparing to activate the third phase of our K 1 strategy, the rollout of the Serbian benefits package, to demonstrate the continued U.S. commitment to Serbia's future beyond Kosovo. This rollout would involve the incentives already agreed to by the interagency community. Through a combination of economic assistance programs, people-to-people exchanges, public diplomacy campaigns, and bilateral initiatives that enhance our relations, this package aims to deliver tangible benefits to Serbian citizens and to help the country move beyond the emotionally charged issue of Kosovo and toward a more democratic, prosperous future.

[1](#)2. (C) In reftels 1 and 2, we outlined the first two phases of our K 1 strategy: 1) engaging and supporting democratic forces in the run-up to the January 21 parliamentary elections, including a get-out-the-vote (GOTV) campaign, and 2) developing a consequence management plan to prepare for the aftermath of the Kosovo settlement. Within the limits of our existing resources, we plan to roll out the benefits package over the course of the next several months, intensifying our public outreach and messages in the weeks following the Kosovo settlement and preceding planned presidential elections this spring. A fourth phase of K 1, which we will outline in a later message, will focus on our engagement with a new democratic government to address pending ICTY obligations, strengthen democratic institutions, and propel Serbia toward Euro-Atlantic integration. End summary.

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ECONOMIC ASSISTANCE -- "JOBS SERBIA"  
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[1](#)3. (SBU) Over the next few months, we plan to launch a host of activities aimed at bolstering the economy, particularly in ways that positively impact ordinary Serbians, while emphasizing that Serbia itself must make economic revitalization and EU integration -- and, by implication, not Kosovo -- its primary focus for the future. This message will draw on points from Serbia's recently adopted National Development Strategy, which emphasizes the work Serbia must carry out in order to reduce the development gap: namely,

through lowering country risk, attracting foreign investment, and ultimately increasing GDP per capita.

**14.** (SBU) A large part of our assistance resources in 2007 will go toward job creation under several initiatives that will carry the brand "Jobs Serbia." For instance, we are developing a long-term \$23 million program to improve the efficiency and competitiveness of agribusiness, a sector which currently accounts for about 25 percent of the country's GDP and 26 percent of exports. The program aims to improve agricultural productivity by transferring technology, strengthening institutions that help farmers learn modern management techniques, and increasing linkages to the private sector. The benefits of this new program should flow primarily to rural areas, where development lags and unemployment is increasing.

**15.** (SBU) Through another \$14 million program in private sector development, we plan to offer technical assistance in sectors of high-growth potential, shoring up some of Serbia's most promising enterprises and developing human capital in these sectors over the next four to five years. In the coming weeks, we will announce an expansion of our MEGA program to include 10 additional municipalities to build their capacity to attract foreign direct investment. And we are in the midst of developing a \$21.4 million SCOPES program to work with vulnerable populations in up to 12 municipalities in Southern Serbia and Sandzak, partly through grants to small enterprises. Public diplomacy efforts will highlight each of these programs and their far-reaching benefits to the Serbian public.

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BELGRADE 00000111 002 OF 003

PEOPLE-TO-PEOPLE EXCHANGES

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**16.** (SBU) An integral part of the benefits package will be people-to-people exchanges, which we have named "Serbian Exchange Experience in America" (SEEAmerica). We are planning a splashy publicity campaign to unveil this program, encompassing high school and undergraduate exchanges, as well as exchanges for citizens, from teachers and police chiefs to doctors and municipal bureaucrats. Such exchanges would complement other ongoing public diplomacy exchanges such as the International Visitors and Speakers programs, and could go far in injecting optimism and energy into a population that has long felt isolated. SEEAmerica could directly benefit thousands of Serbian citizens and forge stronger bilateral relations and understanding.

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PUBLIC MESSAGES

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**17.** (U) In December we kicked off a media campaign calling on residents to vote on how to spend \$1 million for the city of Belgrade, either on a new fleet of ambulances or on renovation of the "Dom Omladine" youth center. Based on the overwhelming response -- nearly 70,000 votes -- this project generated positive interest and a boost to the quality of life in Serbia's capital. We will continue to derive substantial PD impact during the implementation phase.

**18.** (SBU) In addition to publicizing U.S. economic assistance and exchange programs, our public diplomacy efforts will include delivering positive messages to the Serbian people on the Kosovo settlement and next steps for Serbia. Through media interviews, speeches, and other public events, we will demonstrate support for UN Special Envoy Ahtisaari's recommendations, underscore that we are working with our Contact Group partners and the UNSC to finalize future status, and express our commitment to peace and stability in the region. Both privately and publicly, we will urge the

government of Serbia to act responsibly and to encourage the citizens of Serbia and Serbs in Kosovo accept the status decision as one that can lead Serbia toward democratic and economic growth. We need to recognize that U.S. and international spokespersons have limited influence over public opinion on Kosovo. Therefore, we will identify progressive Serbs who have the public credibility to speak out in support of those elements of the Ahtisaari Plan that substantially improve living conditions of Kosovar Serbs.

¶9. (SBU) Official U.S. visitors can reinforce these positive messages as well as further normalize relations between Serbia and the United States. This could include a well-timed visit ultimately by the Secretary, and until then by Under Secretary Burns and Assistant Secretary Fried to announce our support for the Kosovo settlement, and visits and DVC briefings from Ambassador Wisner and Deputy Assistant Secretary DiCarlo. Visits of high-level politicians and

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celebrities from the U.S. could also help the United States reach the younger generation and project a new and positive direction for U.S.-Serbian relations.

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DEFENSE RELATIONS  
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¶10. (C) The benefits package includes bilateral initiatives, particularly in the defense sector. Our defense cooperation has gained great momentum following last year's signing of the Status of Forces Agreement, initiation of a State Partnership Program, and NATO's invitation for Serbia to join the Partnership for Peace. Once a Kosovo settlement is behind us, we would encourage and support Serbia's aspirations for Intensified Dialogue and IPP with NATO, as a precursor to a Membership Action Plan. We would also support Serbia's membership in the Adriatic Charter and the Southeast Europe Defense Ministerial (SEDM) and encourage Southeast Europe Brigade (SEEBRIG) to offer participation in deployments. Our public diplomacy efforts in the coming months will highlight this strong partnership, as well as publicize new bilateral activities.

¶11. (C) We are seeking the Department's approval of \$500,000 in funding requested from the 2007 budget for IMET assistance in Serbia, without the conditions that were previously attached (see reftel 3). IMET programs would fill a critical need in the Serbian armed forces as they prepare for PfP and ultimately NATO membership, giving them crucial English language training and exposure to western military practices.

BELGRADE 00000111 003 OF 003

Other defense initiatives in the works include continued State Partnership Program activities with the Ohio National Guard, the opening of an Office of Defense Cooperation in Belgrade, increased funding to help enhance Serbia's defense reform, expanded training opportunities through the Marshall Center and other institutes, and increased senior-level DoD civilian and military delegations visits to Belgrade.

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OTHER INITIATIVES  
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¶12. (C) We advocate a range of other bilateral initiatives aimed at easing Serbia's transition beyond the Kosovo status talks and toward integration with Europe and the United States. These include removing the time-consuming Visas Bear requirement for Serbian diplomats traveling to the United States (see reftel 4), and bringing Serbia into the Millennium Challenge Account. We support the concept of an Invest-in-Serbia conference (perhaps part of the Department's planning for a broader Balkan conference), and we think that the time is right for a new push to conclude both an Open Skies Agreement and a Bilateral Investment Treaty. We should

encourage the Congress to remove all remaining conditionality on bilateral assistance, an irritant which has outlived its usefulness and no longer has a discernible impact on policy. And we expect Serbia to benefit from the anticipated \$100 million in Kosovo-related debt relief from the United States, although we will tread lightly in touting this benefit to avoid any accusation that such debt relief is some sort of compensation or reward for the loss of Kosovo.

¶13. (C) In addition to these large-scale initiatives, the New Embassy Compound construction will be a symbolic milestone in our bilateral relations. The project will translate to jobs and money for the Serbian people, as we expect more than 60 percent of the \$100 million cost of the new Embassy will be spent on local labor and materials, and 200-600 local citizens will be employed over the course of the construction. The Embassy will also continue to play a vital role in supporting the International School of Belgrade as it moves to a new, bigger campus. As part of our K 1 message, we will take opportunities with the media and public to emphasize that the NEC and the Embassy's strong support for the ISB represent a renewed and positive partnership with Serbia.

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THE ROLLOUT  
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¶14. (C) The rollout of these economic assistance programs, exchanges, public messages, and bilateral initiatives will continue over the coming months as we monitor the aftershocks of the Kosovo settlement and local parliamentary elections and as we head into Serbian presidential elections. At a time when the Serbian people and their government feel the sting from the "loss" of Kosovo, the benefits package aims to bring real and tangible gains to Serbia to help keep it on a positive track for the future. We will be careful not to present this package as "compensation" for Kosovo, but rather as a definitive way forward toward Europe from the destructive policies and difficult times of its past.

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